

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the July 2004 to the October 2004 *Idaho Economic Forecast*. The October 2004 *Idaho Forecast* is based on Global Insight's September 2004 baseline forecast and the July 2004 *Idaho Forecast* is driven by Global Insight's June 2004 baseline U.S. macroeconomic forecast.

A comparison of several key variables shows how the outlooks for the national and state economies have changed since the July 2004 *Idaho Economic Forecast* was published. A review of several macroeconomic variables shows the short-run outlook for the U.S. economy has been downgraded. The forecast for nominal GDP is lower in 2004 compared to the previous forecast and generally grows more slowly over the forecast period. As a result, it goes from being \$53 billion lower than previously forecast in 2004 to \$108 billion lower in 2007. The differences between the current and previous forecasts are even more pronounced when GDP is adjusted for inflation. The gap between the current and previous real GDP forecast grows from \$84 billion in 2004 to \$169 billion in 2007. This reflects the anticipated higher inflation over the next few years. The higher inflation also exacts a toll on U.S. real personal income, causing it to grow more slowly over the forecast period. Because of this slower growth, U.S. real personal income goes from being \$94 billion below the previous forecast in 2004 to \$215 billion under in 2007. National nonfarm employment displays a similar pattern. In 2004, there are nearly 250,000 fewer job in the current forecast compared to the prior one. By 2007, the size of this gap is nearly 1.5 million jobs.

The changes to the Idaho forecast are very similar to those of the U.S. forecast. They are just a bit harder to see in the state forecast. For example, the outlook for Idaho employment has improved. It is higher in each year compared to the previous forecast. But this gap narrows over time. Specifically, Idaho nonfarm employment in 2004 goes from being 4,500 higher than previously forecast to just 990 higher in 2007. This reflects a lower growth rate than in the previous forecast, as was the case with the national forecast. This phenomenon of slower growth is evident in both the goods-producing and nongoods-producing employment categories. Idaho nominal personal income starts out \$70 million higher in 2004 compared to the prior projection, but is \$146 million lower by 2007. This difference is more pronounced when Idaho personal income is adjusted to reflect the anticipated higher inflation. Specifically, the gap between the current and previous forecast of real personal income is plus \$7 million in 2004, minus \$94 million in 2005, minus \$207 million in 2006, and minus \$233 million in 2007.

**IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN
OCTOBER 2004 AND JULY 2004 FORECASTS**

	1999	2000	2001	2002	2003	2004	2005	2006	2007
GDP (BILLIONS)									
Current \$	0	0	27	6	16	-53	-85	-72	-108
% Difference	0.0%	0.0%	0.3%	0.1%	0.1%	-0.4%	-0.7%	-0.6%	-0.8%
2000 Chain-Weighted	0	0	24	-8	-17	-84	-136	-143	-169
% Difference	0.0%	0.0%	0.2%	-0.1%	-0.2%	-0.8%	-1.2%	-1.2%	-1.4%
PERSONAL INCOME - CURR \$									
Idaho (Millions)	0	0	0	0	-19	70	19	-45	-146
% Difference	0.0%	0.0%	0.0%	0.0%	-0.1%	0.2%	0.0%	-0.1%	-0.3%
U.S. (Billions)	0	0	11	-31	-46	-86	-158	-174	-214
% Difference	0.0%	0.0%	0.1%	-0.4%	-0.5%	-0.9%	-1.5%	-1.6%	-1.9%
PERSONAL INCOME - 2000 \$									
Idaho (Millions)	0	0	-18	-38	-77	7	-94	-207	-233
% Difference	0.0%	0.0%	-0.1%	-0.1%	-0.2%	0.0%	-0.3%	-0.6%	-0.6%
U.S. (Billions)	0	0	6	-40	-59	-94	-173	-200	-215
% Difference	0.0%	0.0%	0.1%	-0.5%	-0.7%	-1.0%	-1.8%	-2.1%	-2.1%
TOTAL NONFARM EMPLOYMENT									
Idaho	5	38	38	27	-53	4,509	4,363	2,949	990
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	0.7%	0.5%	0.2%
U.S. (Thousands)	0	0	0	0	0	-249	-779	-1,184	-1,482
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.6%	-0.9%	-1.1%
GOODS PRODUCING SECTOR									
Idaho	0	1	-1	-2	-4	2,410	2,569	1,871	688
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	2.5%	1.9%	0.7%
U.S. (Thousands)	0	0	0	0	0	-27	32	-18	-98
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.1%	-0.1%	-0.4%
NONGOODS PRODUCING SECTOR									
Idaho	5	38	40	29	-49	2,099	1,794	1,079	302
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.2%	0.1%
U.S. (Thousands)	0	0	0	0	0	-223	-810	-1,166	-1,384
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.7%	-1.0%	-1.2%
FINANCIAL MARKETS									
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	0.0%	0.0%	-0.3%	-0.3%	-0.2%	-0.1%
INFLATION									
GDP Price Deflator	0.0	0.0	0.0	0.1	0.3	0.4	0.6	0.8	0.7
Personal Cons Deflator	0.0	0.0	0.1	0.1	0.2	0.2	0.3	0.5	0.3
Consumer Price Index	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Forecast Begins the SECOND Quarter of 2004